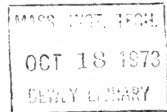
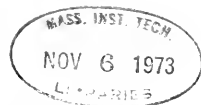




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SMOOTHING CENTRALIZATION - DECENTRALIZATION CYCLES

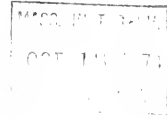
by

Kenan E. Sahin

Visiting Associate Professor

671-73

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Smoothing Centralization-Decentralization Cycles

During the past decade numerous researchers including Leavitt (1962), Morse and Lorsch (1970) and Carzo (1963) have concluded that rather than satisfy a universal theory, an effective organization must have a fit between its task characteristics and its people's managerial styles. A further conclusion is that efficiency is facilitated by centralized or "tall" organizational structure, and growth, innovativeness, learning etc. are enhanced by "flat" or decentralized organizations (Carzo, Leavitt).

What is not often emphasized is that because task characteristics change through time, the "contingency" or "fit" (Morse and Lorsch) position immediately indicates that the structure of the organization or a subpart of it should also dynamically change positions along the centralization and decentralization continuum. In other words, structures should cycle between centralization and decentralization.

Changing the organizational structure along centralization-decentralization necessarily entails upsetting the current power balance and reconstituting it. This is bound to evoke a variety of resistances. One cannot expect proposed power shifts to meet with the approval of all members of the coalition that steer the organization.

This stickiness of the power structure can create serious problems when deliberate plans are made to achieve cycling between centralization and decentralization (henceforth referred as d-c cycling) in

response to changing environmental conditions and task characteristics. Apart from upsetting the secondary variables and hence creating long-term dysfunctional consequences, sluggishness in cycling may be created such that the entity is out of phase with optimum cycles; that is centralization may finally begin just when the time for decentralization has come or the reverse.

Our thesis is that the formalization of cycling and advance provisions for anticipated difficulties can allow the organization to achieve reasonably smooth cycles that are minimally out of phase with the optimal cycles. Before making proposals as to how the thesis can be applied, let us observe some propositions. To the extent that these propositions pertain to a specific organization so would the concomitant proposals.

Proposition 1.1: Managerial styles are distributed along a spectrum running from highly authoritarian to highly supportive. While many managers are in the middle of the spread, significant numbers are better placed closer to one of the poles. Furthermore, an individual is most comfortable when he is exercising his "natural" style.

Proposition 1.2: Transitions from one pole to the other are extremely difficult. Transition from a mildly authoritarian style to mildly supportive (or vice versa) are possible. However, if the intervening forces weaken, the person very likely will shift back to his natural style.

With deliberate programs such as group training procedures changes

in managerial styles can be facilitated. However, our conviction is that in a significant number of cases such facilitation would be of temporary nature and would be counteracted once a person is in his usual environment. Also in as much as managerial styles reflect the complex web of individual's value structure, deliberate efforts like training would in one way or the other be tampering with the fundamental ingredients of personality, which we feel has the overtones and the dangers of manipulation.

Propositon 1.3: The authoritarian style is congruent with centralization, and supportive, with decentralization. Greater effectiveness is obtained when the styles of managers in power fit the existing strucutre.

PROPOSAL 1: Since managers have different natural styles, since effectiveness is enhanced if there is a fit between styles and organizational structure, since it is difficult to change styles, and since grooming of managers take time, the inventory of managers should contain an adequate mix of styles so that either centralization or decentralization can be supported. In other words, even as the organization (or a subpart of an organization) is in the midst of say centralization there should be managers of supportive inclination.

Furthermore, to the extent that it is possible, managers of different styles should be differentially groomed so that there will be for instance sufficient number of supportives when decentralization comes about, etc.

The two-party political system is analogous to the proposal. In the political arena of democratic order changes of power are brought about by electioning. In the organization, changes of power from one team to the other are to be affected through advance planning.

When one team moves to power what happens to the displaced team? A thorny issue. Again we will indicate some propositions and then make a proposal.

Proposition 2.1: Each person has a reasonably unique set of needs only one of which power. Consider satisfactions along each need dimension as representing the person's composite satisfaction level. It is possible to attain the same composite satisfaction through many different patterns of "satisfactions."

Proposition 2.2: If the satisfaction of one need decreases, the resultant decrement in the composite can be offset by changes along other need types.

Specifically decrements in power can be compensated by suitably adjusting the other need satisfactions.

Proposition 2.3: For a given decrement in power, the compensation package is different for different individuals.

PROPOSAL 2 : As the organization moves along d-c cycles, as the team of managers with styles congruent to the upcoming phase gain power, those members of the current team with non-congruent styles will be losing power. The power-losing members can be classified as: cycle-survivors, i.e. those that will still have reasonable years of service left when their type of phase comes back, and cycle-nonsurvivors, i.e. those that will be near or past retirement

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when the organization returns to their type of structure.

Our proposal is that the power declines of cycle-survivors should be accompanied with compensation packages. In view of propositions 2.1 and 2.2 this approach should increase both smoothness and compliance.

Since numerically speaking small numbers of people are involved, motivated by proposition 2.3 we further propose that compensation packages be carefully tailored to each individual. In this regard, Erik Erikson's (1964) ideas on need stages would be of relevance. He advances that around 30 to 40 years, the dilemma is between generativity and stagnation. So, for those in this age bracket the compensation package should have components that bolster generativity. Around fifty the individual is caught between ego integrity and despair. So he ought to be compensated for power decrements in ways that will bolster ego integrity.

How about the cycle non-survivors? Our proposal will follow proposition 3.0.

Proposition 3.0. If a manager is eventually going to be released, it will be all around better and certainly more humanitarian to initiate the "breaking of the news" at a time when the manager is doing well, paradoxical as it may appear to the onlookers. The approach would give the opportunity to the manager to relocate under conditions maximally favorable to him. The adverse impact of firings on the organization will also be less because a manager need not worry that after a career of contributions, the organization will

discard him as soon as he becomes no longer useful.

PROPOSAL 3 : In current practice a manager would be released when he no longer fits the requirements of the organizational structure. In fact in numerous cases the scenario runs like this: the task characteristics change say in such a way as to necessitate efficiency orientation and a centralized structure. The organization is still decentralized with a heavy emphasis on supportiveness and growth. When the discrepancy becomes alarming, the board fires the president. A strong man is brought in and soon heads start rolling. To be sure efficiency picture improves but at what a huge human cost. Also the impact on the remainder of the organization can be debilitating and crippling. While some quarters may hail the departure of a long-time manager as good riddance of a "softie" other quarters may see it more perceptively as the organization ruthlessly discarding a person of long-time service as soon as he won't do. The consequence could well be decrease of loyalty, panic, hurried attempts to make alternative arrangements in case the axe moves one's own way, and the possible departure of the ablest who can most easily relocate. Of course after the crisis is over and the organization once again needs growth, innovativeness, etc. the same scenario would be repeated in the reverse. Now the relief would come because of the riddance of the hard-heads. And there would be a need to undertake outside recruitment to bring in the managers with the right style, the economic costs of which can often be considerable.

Our proposals so far have been that cycling, which happens anyway but albeit in a forced manner, should be viewed as a natural process. As such its dysfunctional consequences should be minimized by advance planning and preparation.

Our further proposal, PROPOSAL 3, is that the cycle non-survivors should be informed of their impending release, as early as possible even when they are at the apex of their productivity. If such is made the company policy and incorporated into the socialization process of the recruits, the response will likely be very positive.

In trying to make the proposals operational we would encounter two sets of problems: who is going to draw up and initiate the master plan? And how is one going to determine the next phase of the d-c cycle?

Predicting D-C Cycles

We want to have ways of predicting when the organization should be reversing itself along the centralization-decentralization continuum. A rational approach to this prediction task is to first identify the determinant factors of centralization and decentralization. Some of these factors will be peculiar to each particular organization. Therefore, we should make an attempt at elucidating them from the experience and opinions of the organizational members. The Delphi approach with its anonymity and feedback features should be particularly useful in this regard (Turoff, 1970). The prepara-

tion of the Delphi questionnaire should be preceded by a "pre-Delphi" in which the decision makers would be asked for what reasons the organization or a part of it should maintain its present structure and under what circumstances the organization should move in the opposite direction.

While some factors are peculiar to an organization there are others that hold across entities. Identifying these can be aided by considering centralization and decentralization as general organizational processes that impinge on two types of activities: development and dissemination. Under the first category we can include the development of constraints (or objectives), the development of interfaces (markets) and the development of technologies. Paralleling this we have the dissemination (or internalization) of constraints, the dissemination (or penetration) into markets, and the dissemination or exploitation of technologies.

The development activities in which innovativeness and adaptability loom high would be best facilitated in a decentralized setting. On the other hand, dissemination, with its emphasis on efficiency would benefit from centralization.

Hence indices that anticipate the types of activities to be undertaken also become the indices of future organizational structure. Typically a developmental activity would be followed by the appropriate disseminational activity and when dissemination is properly secured attention would once again turn to development and so on. The result is cycling. The proposal here is that this cycle be coincident with

d-c cycles and the indicators of one be used to anticipate the other.

There are additional considerations which would yield subsidiary "leading" indicators. One is the training function. New managers need to be trained and socialized in the ways of the organization. The organizational form to enhance training in a large measure depends on the entity in question and the environment it operates in. In an environment of high specificity and predictability, institutionalizing the training function and centralizing it would be preferable. When both the internal and external environments are fluid and complex the best form of training would be attainable by diffusing power to the trainees so that they can learn from their own mistakes.

Communication, as it is effected by the organizational structure, is also a relevant consideration by way of the time delays introduced, extent of uncertainty absorption, and cost of the communication channels. Centralization has a tendency to increase the number of communication channels and hence the costs associated with organizational overhead. It also tends to increase the delay between the time of perception and time of action. If reasonably rapid response is required, it would be better to create a communication and action loop as close to the site of impact as possible with concomitant diffusion of power. Then there would be a reporting link from this loop to higher level loops. When the levels in the communication flows are thus increased, however, there could be increased absorption of uncertainty in the information transmitted with possible dysfunctional consequences upon decisions at higher levels. An

example of uncertainty absorption is a field information that "the prospect of another client is about 60%," becoming "another client will be obtained" and implying the certainty of the event.

Location of the Smoothing Function

One important missing link in what has been said so far is how to "smooth redistribution." Will the chief executives tolerate a process which may well end up removing them from their current position? One should not expect nor count on altruism. The issue at hand is intimately wrapped in all aspects of resistance to change and of coalitionary bargaining. Therefore, there are no easy solutions to the dilemma. One tenable proposal is that there be a group specifically created to develop and obtain the values of the indicators of the organizational structure in the next planning period; and that there be a second group created to interpret the indicators as well as to translate the interpretations into action plans. Both groups should have two important covenants: staggered limited terms (three to five years) for the members and accountability to both the chief executive and the board. In this manner if the chief executive is to be directly affected, the board accountability would counterweigh possible conflicts of interest. The compensation packages to achieve gradual power redistributions would be hammered out with members of the personnel department and the superiors of the executive members involved and then negotiated with the executives themselves.

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